BDC
Entrepreneurs first

2015

THIRD QUARTER

FINANCIAL REPORT

December 31, 2014

Canada

EXECUTIVE SUMMARY

The Canadian economy grew by 2.8% during the third quarter of the calendar year, supported by exports, consumer spending and business investment. Economic growth will be over 2% for calendar 2014. Canadian exports continued to increase, stimulated by strong demand from the United States and a lower dollar. Manufacturing sales are increasing in most sub-sectors and in every part of the country, resulting in higher business investment. For the first time in two years, machinery and equipment investment increased significantly in the third quarter of the calendar year. Moreover, the latest Bank of Canada investment intention survey shows high investment intention for this sector.

However, plummeting oil prices will have a major impact on the Canadian economy. Investment will decline in Alberta, Saskatchewan and Newfoundland, limiting economic growth in 2015. The impact will depend on how long the price remains depressed. However, low oil prices will have positive impacts on other parts of the country, by keeping the value of the Canadian dollar low and reducing energy costs for consumers. Lower interest rates announced recently by the Bank of Canada should also contribute to economic growth. As a result, the Canadian economy should continue to grow by over 2% in calendar 2015, supported by exports, business investment in the manufacturing sector and consumer spending.

Business lending conditions continue to ease. As of November 2014, total business credit had increased by 9.1% over three months and by 7.8% over 12 months. Short-term credit from chartered banks had increased by 11.1% over three months and long-term credit by 0.1%.

BDC is a complementary, long-term lender and investor that takes higher risks and offers greater flexibility to clients. We work to ensure that small and medium-sized businesses have the support they need to grow and succeed. Clients of Financing[1] accepted $1.3 billion in loans this quarter, compared to $1.0 billion last year. For the nine months ended December 31, clients accepted a total of $3.7 billion in loans, compared to $3.2 billion last year.

As at December 31, 2014, Financing's[1] loan portfolio, before allowance for credit losses, stood at $18.7 billion, a 5.6% increase since March 31, 2014.

BDC continued to focus on small loans, while also supporting the growth of medium-sized firms and participating in financial transactions with other financial institutions. During the quarter, 1,870 clients accepted loans of $250,000 or less for a total of $141.0 million this quarter, compared to 1,621 clients accepting a total of $122.7 million during the same period last year. For the nine months ended December 31, 2014, we saw 5,188 clients accept loans of $250,000 or less for a total of $412.8 million, compared to 5,088 clients for a total of $394.5 million last year.

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[1] Unless otherwise indicated, Financing excludes Growth & Transition Capital.

The Business Development Bank of Canada (BDC) is a Crown corporation wholly owned by the Government of Canada.

Our mission is to help create and develop Canadian businesses through financing, venture capital and consulting services, with a focus on small and medium-sized enterprises.

When entrepreneurs succeed, they make an irreplaceable contribution to Canada's economy. Supporting them is in our national interest.

Growth & Transition Capital continued to support the growth plans of Canadian entrepreneurs through its diverse product offerings, with clients accepting $69.5 million in financing in the third quarter, for a total of $162.2 million for the nine-month period. This compares to $40.9 million and $145.0 million, respectively, for the same periods last year.

To support innovative Canadian companies and create the conditions for success in the venture capital ecosystem, Venture Capital authorized investments totalling $56.2 million in the third quarter, compared to $37.6 million in the same period last year. For the nine-month period ended December 31, a total of $126.5 million was authorized, compared to $70.2 million in the same period last year. Greater fund activity and a large financing round for one of our direct investments accounted for most of the increase in authorizations.

BDC Capital's Strategic Investments and Partnerships (SIP) team continued to develop initiatives to support key areas of the venture capital ecosystem. It makes investments in specialized funds, accelerators and graduates of accelerators. As at December 31, 2014, the SIP team had invested in 107 start-ups, representing $16.7 million.

During the quarter, BDC continued to support the deployment of the Venture Capital Action Plan (VCAP), a federal government initiative to invest $400 million to increase private sector venture capital financing for high-potential, innovative Canadian businesses. In the third quarter, two funds of funds and one high-performing fund were closed.

Among the highlights in BDC's other lines of business, in late fiscal 2014, Consulting began operating under a new structure designed to better help small and medium-sized businesses improve their competitiveness by accelerating growth, improving productivity and building organizational capabilities. A 24-month business transformation plan was created, and the first set of changes was launched during the first quarter of fiscal 2015. Therefore, as anticipated, consulting revenues were $4.1 million for the quarter, lower than the $5.3 million recorded for the same period last year. BDC continued to identify and focus its efforts on services that have the most positive impact on clients and are complementary to those offered by private sector businesses. As a result, we discontinued some services. For the nine-month period ended December 31, revenues were $12.7 million, compared to $15.8 million for the same period last year.

BDC is maintaining its role in the securitization market, where small and medium-sized enterprises access financing for the vehicles and equipment they need to improve productivity. As at December 31, total asset-backed securities stood at $403.7 million, compared to $336.5 million as at March 31. For the nine-month period ended December 31, 2014, disbursements totalled $168.3 million, compared to $154.8 million for the same period last year.

In the third quarter of fiscal 2015, BDC posted consolidated net income of $115.2 million[2], compared to $118.1 million[2] for the same period last year. The decrease was mostly attributable to higher net fair value depreciation of venture capital investments, partially offset by higher net revenue on subordinate financing investments. Net income for the nine-month period was $374.0 million[3], $55.7 million higher than the $318.3[3] million recorded last year.

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(2) Including a net income of $0.1 million and a net income of $0.4 million attributable to non-controlling interests for fiscal 2015 and 2014, respectively.

(3) Including a net loss of $0.9 million and a net income of $4.2 million attributable to non-controlling interests for fiscal 2015 and 2014, respectively.

For the quarter, consolidated total comprehensive income was $89.6 million, compared to $191.9 million for the same period last year. The decrease was mostly due to actuarial losses on the net defined benefit asset or liability. For the most part, these losses were caused by lower discount rates used to value the net defined benefit asset or liability, partially offset by higher returns on pension plan assets. For the nine-month period, total comprehensive income was $287.3 million, compared to $476.7 million for the same period last year.

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From time to time, we make written or oral forward-looking statements. We may make forward-looking statements in this quarterly financial report. These forward-looking statements include, but are not limited to, statements about objectives and strategies for achieving objectives, as well as statements about outlooks, plans, expectations, anticipations, estimates and intentions.

By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. These uncertainties give rise to the possibility that predictions, forecasts, projections and other elements of forward-looking statements will not be achieved. A number of important factors could cause actual results to differ materially from the expectations expressed.

CONTEXT OF THE QUARTERLY FINANCIAL REPORT

The *Financial Administration Act* requires that all departments and parent Crown corporations prepare and make public a quarterly financial report. The Standard on Quarterly Financial Reports for Crown Corporations is issued by the Treasury Board of Canada Secretariat to provide parent Crown corporations with the form and content of the quarterly financial report under the authority of section 131.1 of the *Financial Administration Act*. There is no requirement for an audit or review of the financial statements included in the quarterly financial report. Therefore, the condensed quarterly Consolidated Financial Statements included in this report have not been audited or reviewed by an external auditor.

RISK MANAGEMENT

Risk is an inherent feature of the financial sector. BDC uses sound practices of enterprise risk management (ERM).

BDC manages risk through the development and communication of policies; the establishment of formal risk reviews and approval processes; and the establishment of limits and delegation of authorities. The Board of Directors and its Credit and Risk Committee review quarterly ERM reports and monitor the effectiveness of BDC's ERM practices. In each line of business, management ensures that governance activities, controls, processes and procedures are consistent with BDC's sound ERM practices.

No significant changes were made to BDC's ERM practices and no new risks were identified during the quarter ended December 31, 2014.

ANALYSIS OF FINANCIAL RESULTS

Analysis of financial results is provided to enable a reader to assess BDC's results of operations and financial condition for the nine-month period ended December 31, 2014, compared to the corresponding period of the prior fiscal year. This analysis also includes comments about significant variances from BDC's fiscal 2015–19 Corporate Plan, when applicable.

BDC reports on six business segments: Financing, Growth & Transition Capital, Venture Capital, Consulting, Securitization and Venture Capital Action Plan (VCAP). All amounts are in Canadian dollars, unless otherwise specified, and are based on unaudited condensed quarterly Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS).

This analysis should be read in conjunction with the unaudited condensed quarterly Consolidated Financial Statements included in this report and the audited annual Consolidated Financial Statements in the fiscal 2014 Annual Report.

Consolidated net income

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Financing	**118.7**	116.9	**358.4**	323.2
Growth & Transition Capital	**14.4**	6.9	**30.7**	12.9
Venture Capital	**(13.0)**	(3.0)	**2.3**	(10.5)
Consulting	**(6.2)**	(3.8)	**(17.4)**	(11.5)
Securitization	**1.0**	1.3	**3.0**	5.0
Venture Capital Action Plan	**0.3**	(0.2)	**(3.0)**	(0.8)
Net income	**115.2**	118.1	**374.0**	318.3
Net income attributable to:				
BDC's shareholder	**115.1**	117.7	**374.9**	314.1
Non-controlling interests	**0.1**	0.4	**(0.9)**	4.2
Net income	**115.2**	118.1	**374.0**	318.3

Three months ended December 31

BDC reported consolidated net income of $115.2 million for the third quarter ended December 31, 2014, comprising $115.1 million attributable to BDC's shareholder and $0.1 million to non-controlling interests. This compares to $118.1 million in consolidated net income for the third quarter of fiscal 2014, of which $0.4 million was attributable to non-controlling interests.

Net income in the third quarter of fiscal 2015 was lower than in the corresponding period of fiscal 2014 due primarily to higher net loss from Venture Capital and Consulting, partially offset by higher net income from Growth & Transition Capital and Financing. Refer to the Venture Capital, Consulting, Growth & Transition Capital and Financing sections of this analysis for further information.

Nine months ended December 31

BDC consolidated net income was $374.0 million for the nine months ended December 31, 2014, which was higher than the $318.3 million recorded for the same period last year.

Currently, BDC expects its consolidated net income for fiscal 2015 to exceed the Corporate Plan target of $317 million.

Consolidated comprehensive income

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net income	**115.2**	118.1	**374.0**	318.3
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**0.2**	0.6	**(0.7)**	(0.3)
Net change in unrealized gains (losses) on cash flow hedges	**(0.2)**	(0.3)	**(1.2)**	(2.8)
Total items that may be reclassified subsequently to net income	**-**	0.3	**(1.9)**	(3.1)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**(25.6)**	73.5	**(84.8)**	161.5
Other comprehensive income (loss)	**(25.6)**	73.8	**(86.7)**	158.4
Total comprehensive income	**89.6**	191.9	**287.3**	476.7
Total comprehensive income attributable to:				
BDC's shareholder	**89.5**	191.5	**288.2**	472.5
Non-controlling interests	**0.1**	0.4	**(0.9)**	4.2
Total comprehensive income	**89.6**	191.9	**287.3**	476.7

Three and nine months ended December 31

Consolidated total comprehensive income for the third quarter was $89.6 million, comprising $115.2 million in consolidated net income and $25.6 million in other comprehensive loss. For the nine-month period ended December 31, 2014, BDC reported total comprehensive income of $287.3 million, comprising $374.0 million in net income and $86.7 million in other comprehensive loss.

BDC recorded other comprehensive loss of $25.6 million and $86.7 million, respectively, for the third quarter and the nine-month period ended December 31, 2014, compared to other comprehensive income of $73.8 million and $158.4 million for the same periods last year.

Remeasurements of net defined benefit asset or liability of $25.6 million contributed to the decrease in total comprehensive income in the third quarter. For the most part, these losses were caused by lower discount rates used to value the net defined benefit asset or liability, partially offset by higher returns on pension plan assets. Since the adoption of IAS 19, *Employee benefits*, in fiscal 2014, actuarial gains and losses, as well as returns on pension plan assets, are immediately recognized in other comprehensive income. This results in increased volatility of total comprehensive income.

Financing results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net interest and fee income	**227.7**	214.5	**670.4**	627.7
Impairment reversals (losses) on loans	**(23.0)**	(12.6)	**(59.7)**	(60.6)
Net gains (losses) on other financial instruments	**(0.9)**	(0.1)	**(1.9)**	0.1
Income before operating and administrative expenses	**203.8**	201.8	**608.8**	567.2
Operating and administrative expenses	**85.1**	84.9	**250.4**	244.0
Net income from Financing	**118.7**	116.9	**358.4**	323.2

	Three months ended December 31		Nine months ended December 31	
As % of average portfolio	**F2015**	F2014	**F2015**	F2014
Net interest and fee income	**4.9**	4.9	**4.9**	4.9
Impairment reversals (losses) on loans	**(0.5)**	(0.3)	**(0.4)**	(0.5)
Net gains (losses) on other financial instruments	**-**	-	**-**	-
Income before operating and administrative expenses	**4.4**	4.6	**4.5**	4.4
Operating and administrative expenses	**1.8**	1.9	**1.8**	1.9
Net income from Financing	**2.6**	2.7	**2.7**	2.5

Three and nine months ended December 31

Financing's net income was $118.7 million for the third quarter of fiscal 2015 and $358.4 million for the nine-month period ended December 31, 2014, compared to $116.9 million and $323.2 million, respectively, for the same periods last year.

The increase in profitability was mostly due to higher net interest and fee income, mainly driven by portfolio growth.

Operating and administrative expenses for both the three-month and nine-month periods ended December 31, 2014, were higher than those in the corresponding periods last year. This was mainly due to higher depreciation of project costs related to BDC's investment in its Agility and Efficiency (A&E) project, which also contributed to increase productivity. However, as a percentage of the average portfolio, operating and administrative expenses were slightly lower than those in the same periods last year.

Growth & Transition Capital results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net revenue on investments	**19.2**	10.8	**39.3**	54.5
Net change in unrealized appreciation (depreciation) of investments	**0.5**	3.0	**9.6**	(23.1)
Income before operating and administrative expenses	**19.7**	13.8	**48.9**	31.4
Operating and administrative expenses	**5.3**	6.9	**18.2**	18.5
Net income from Growth & Transition Capital	**14.4**	6.9	**30.7**	12.9
Net income attributable to:				
BDC's shareholder	**14.0**	6.5	**29.5**	8.4
Non-controlling interests	**0.4**	0.4	**1.2**	4.5
Net income from Growth & Transition Capital	**14.4**	6.9	**30.7**	12.9

Three months ended December 31

Growth & Transition Capital's net income for the third quarter of fiscal 2015 was $14.4 million, compared to net income of $6.9 million for the same period last year.

Net revenue on investments of $19.2 million for the third quarter was higher than the $10.8 million recorded last year, mainly due to lower write-offs ($5.1 million), higher fee and other income ($1.6 million), higher realized gains on investments ($1.2 million), and higher net interest income as a result of portfolio growth ($0.5 million).

The net change in unrealized appreciation of investments of $0.5 million for the quarter included the following:

- a $0.2 million net fair value depreciation ($1.7 million net fair value depreciation for the same period last year); and
- a reversal of net fair value depreciation due to net realized losses totalling $0.7 million (reversal of net fair value depreciation due to net realized losses of $4.7 million for the same period last year).

Operating and administrative expenses amounted to $5.3 million, lower than the $6.9 million recorded last year, as long-term incentive plan provisions were reduced to better reflect Growth & Transition Capital's results.

Nine months ended December 31

For the nine months ended December 31, 2014, Growth & Transition Capital recorded net income of $30.7 million, higher than the $12.9 million recorded for the same period last year.

Net revenue on investments was $39.3 million, lower than the $54.5 million recorded in the same period last year, due to higher write-offs ($16.1 million), partially offset by higher net interest income as a result of portfolio growth ($0.9 million).

The net change in unrealized appreciation of investments of $9.6 million for the nine months ended December 31, 2014, included the following:

- a $4.2 million net fair value depreciation ($21.3 million net fair value depreciation for the same period last year); and
- a reversal of net fair value depreciation due to net realized losses totalling $13.8 million (reversal of net fair value appreciation due to net realized gains of $1.8 million for the same period last year).

Operating and administrative expenses amounted to $18.2 million, slightly lower than the $18.5 million recorded last year.

Venture Capital results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net revenue (loss) on investments	**(0.7)**	(7.2)	**(5.9)**	(4.2)
Net change in unrealized appreciation (depreciation) of investments	**(11.5)**	8.1	**18.3**	6.7
Net unrealized foreign exchange gains (losses) on investments	**6.8**	4.4	**9.6**	7.3
Net gains (losses) on other financial instruments	**(2.2)**	(3.2)	**(3.9)**	(5.0)
Income (loss) before operating and administrative expenses	**(7.6)**	2.1	**18.1**	4.8
Operating and administrative expenses	**5.4**	5.1	**15.8**	15.3
Net income (loss) from Venture Capital	**(13.0)**	(3.0)	**2.3**	(10.5)
Net income (loss) attributable to:				
BDC's shareholder	**(12.6)**	(3.0)	**4.4**	(10.2)
Non-controlling interests	**(0.4)**	-	**(2.1)**	(0.3)
Net income (loss) from Venture Capital	**(13.0)**	(3.0)	**2.3**	(10.5)

Three months ended December 31

During the third quarter of fiscal 2015, Venture Capital recorded a net loss of $13.0 million, compared to a net loss of $3.0 million for the same period last year.

Net loss on investments decreased by $6.5 million, primarily due to lower write-offs.

The net change in unrealized depreciation of investments of $11.5 million was $19.6 million lower than the $8.1 million net change in unrealized appreciation recorded last year and included the following:

- a $12.8 million net fair value depreciation of the portfolio ($2.0 million net fair value depreciation for the same period last year); and
- a reversal of net fair value depreciation on divested investments and write-offs totalling $1.3 million (a reversal of $10.1 million of net fair value depreciation for the same period last year).

Nine months ended December 31

For the nine months ended December 31, 2014, Venture Capital recorded a $2.3 million net income, compared to a net loss of $10.5 million for the same period last year.

Net loss on investments was $5.9 million for the nine months ended December 31, 2014, compared to net loss on investments of $4.2 million for the same period last year, mainly due to lower capitalized interest.

The net change in unrealized appreciation of investments of $18.3 million for the nine-month period ended December 31, 2014, included the following:

- a $11.5 million net fair value appreciation of the portfolio ($3.4 million net fair value appreciation for the same period last year); and
- a reversal of net fair value depreciation on divested investments and write-offs totalling $6.8 million (a reversal of $3.3 million of net fair value depreciation for the same period last year).

Net unrealized foreign exchange gains or losses on investments were due to foreign exchange fluctuations on the U.S. dollar. During the third quarter, BDC discontinued hedging U.S dollar investments and only uses foreign exchange contracts to hedge U.S. dollar proceeds expected to be received .

Consulting results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	F2015	F2014	F2015	F2014
Revenue	4.1	5.3	12.7	15.8
Operating and administrative expenses	10.3	9.1	30.1	27.3
Net loss from Consulting	(6.2)	(3.8)	(17.4)	(11.5)

Three and nine months ended December 31

We continue to focus our efforts on the transformation of our consulting services. Therefore, as anticipated, Consulting's net loss was $6.2 million for the third quarter of fiscal 2015, higher than the $3.8 million net loss recorded for the same quarter last year. The cumulative net loss for the nine-month period ended December 31, 2014, was $17.4 million, compared to $11.5 million for the same period last year.

Revenues were $4.1 million and $12.7 million, respectively, for the third quarter and the first nine months of fiscal 2015, lower than the $5.3 million and $15.8 million recorded for the same periods last year. As part of the ongoing transformation program, BDC has refined its approach and defined its organizational structure. Time and resources are needed to deliver, develop and improve client services, and thus consulting revenues are expected to remain uncertain during this transition period.

On a year-to-date basis, operating and administrative expenses of $30.1 million were $2.8 million higher than those recorded in the same period of fiscal 2014. The increase is mainly explained by the higher level of staff needed to support the new business strategy and associated transformation program, with the goal of increasing the competitiveness of small and medium-sized businesses.

Securitization results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	F2015	F2014	F2015	F2014
Net interest and fee income	1.5	1.6	4.4	6.1
Income before operating and administrative expenses	1.5	1.6	4.4	6.1
Operating and administrative expenses	0.5	0.3	1.4	1.1
Net income from Securitization	1.0	1.3	3.0	5.0

Three and nine months ended December 31

Net income from Securitization for the third quarter of fiscal 2015 was $1.0 million, for a total of $3.0 million for the nine-month period ended December 31, 2014. These figures compare to net income from Securitization of $1.3 million and $5.0 million, respectively, for the same periods last year.

The decrease in income was due to lower net interest and fee income as a result of a slight decrease in the yield.

Operating and administrative expenses for the three-month and nine-month periods ended December 31, 2014, were slightly higher than those reported for the same periods last year.

Venture Capital Action Plan results

	Three months ended December 31		Nine months ended December 31	
($ in millions)	**F2015**	F2014	**F2015**	F2014
Net revenue (loss) on investments	**0.1**	-	**0.2**	-
Net change in unrealized appreciation (depreciation) of investments	**0.5**	-	**(2.5)**	-
Income (loss) before operating and administrative expenses	**0.6**	-	**(2.3)**	-
Operating and administrative expenses	**0.3**	0.2	**0.7**	0.8
Net income (loss) from Venture Capital Action Plan	**0.3**	(0.2)	**(3.0)**	(0.8)

Three and nine months ended December 31

During the third quarter of fiscal 2015, Venture Capital Action Plan (VCAP) recorded a net income of $0.3 million, mostly as a result of a net change in unrealized appreciation of investments of $0.5 million. Underlying investments in one of our funds are performing well, thus contributing to the increase in unrealized appreciation of investments recorded this quarter. For the nine months ended December 31, 2014, VCAP recorded a net loss of $3.0 million compared to a net loss of $0.8 million for the same period last year. These losses were anticipated early in the program.

On a year-to-date basis, operating and administrative expenses were $0.1 million lower than those reported for the same period last year.

Consolidated Statement of Financial Position and Cash Flows

As at December 31, 2014, total BDC assets amounted to $20.7 billion, an increase of $1.1 billion from March 31, 2014, mainly due to the increase in loans.

At $18.2 billion, the loan portfolio represented BDC's largest asset ($18.7 billion in gross portfolio and a $0.5 billion allowance for credit losses). The gross loan portfolio grew by 5.6% in the nine months after March 31, 2014.

As for BDC's investment portfolios, the subordinate financing portfolio stood at $626.6 million, compared to $576.7 million as at March 31, 2014. Net investment disbursements accounted for most of the increase in this portfolio; however, this was partially offset by write-offs. The venture capital portfolio was $627.0 million at December 31, 2014, compared to $495.1 million as at March 31, 2014. The increase in this portfolio was mainly due to investment disbursements and to higher net change in unrealized appreciation. The venture capital action plan portfolio stood at $34.7 million, compared to $5.2 million at March 31, 2014. Investment disbursements accounted for most of the increase.

The asset-backed securities (ABS) portfolio stood at $403.7 million, compared to $336.5 million at March 31, 2014. The increase in the portfolio was due to net disbursements of securities purchased under the Funding Platform for Independent Lenders (F-PIL) program.

Derivative assets of $43.0 million and derivative liabilities of $7.7 million reflected the fair value of derivative financial instruments as at December 31, 2014. Net derivative fair value decreased by $8.4 million, compared to the fair value at March 31, 2014, primarily as the result of ma. rities and redemptions, as well as a decrease in fair value.

As at December 31, 2014, BDC recorded a net defined benefit asset of $38.8 million related to the registered pension plan, and a net defined benefit liability of $211.8 million for the other plans, for a total net defined benefit liability of $173.0 million. This represents an increase of $68.3 million compared to the total net defined benefit liability as at March 31, 2014, primarily as the result of remeasurement losses on the net defined benefit liability recorded during the nine-month period ended December 31, 2014. Refer to page 8 of this report for further information on remeasurements of net defined benefit asset or liability.

BDC holds cash and cash equivalents in accordance with its Treasury Risk Policy. The Bank's liquidities, which ensure funds are available to meet BDC's cash outflows, totalled $658.9 million at December 31, 2014, compared to $676.5 million at March 31, 2014. For the nine-month period ended December 31, 2014, cash flow used by investing activities amounted to $274.0 million as a result of net disbursements of subordinate financing and venture capital investments, and ABS. Financing activities provided $830.2 million in cash flow, mainly as a result of the issuance of short-term notes, partially offset by the repayment of long-term notes, while operating activities used $573.9 million, mainly due to the increase in the loans portfolio.

At December 31, 2014, BDC funded its portfolios and liquidities with borrowings of $15.7 billion and total equity of $4.6 billion. Borrowings comprised $15.1 billion in short-term notes and $0.6 billion in long-term notes.

CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

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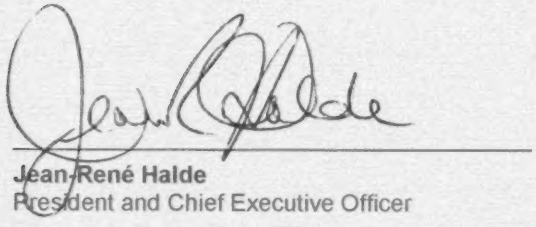
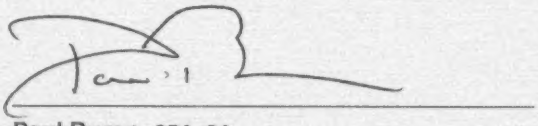
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for the preparation and fair presentation of these condensed quarterly Consolidated Financial Statements in accordance with the Treasury Board of Canada Standard on Quarterly Financial Reports for Crown Corporations, and for such internal controls as management determines are necessary to enable the preparation of condensed quarterly Consolidated Financial Statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the quarterly Consolidated Financial Statements.

Based on our knowledge, these unaudited condensed quarterly Consolidated Financial Statements present fairly, in all material respects, the financial position, results of operations and cash flows of the corporation, as at the date of and for the periods presented in the condensed quarterly Consolidated Financial Statements.



Jean-René Halde
President and Chief Executive Officer



Paul Buron, CPA, CA
Executive Vice President and
Chief Financial and Risk Officer

Montreal, Canada
February 12, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in thousands of Canadian dollars)	Notes	December 31, 2014	March 31, 2014
ASSETS			
Cash and cash equivalents		658,922	676,529
Derivative assets		43,042	54,501
Loans and investments			
Asset-backed securities	7	403,693	336,477
Loans	8	18,151,480	17,241,064
Subordinate financing investments	9	626,586	576,677
Venture capital investments	10	627,047	495,096
Venture capital action plan investments	11	34,745	5,169
Total loans and investments		19,843,551	18,654,483
Property and equipment		23,429	26,418
Intangible assets		51,626	58,280
Net defined benefit asset		38,795	83,527
Other assets		19,305	16,219
Total assets		20,678,670	19,569,957
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accrued liabilities		79,223	106,027
Derivative liabilities		7,689	10,706
Borrowings			
Short-term notes		15,153,458	14,056,623
Long-term notes		575,466	775,340
Total borrowings		15,728,924	14,831,963
Net defined benefit liability		211,831	188,221
Other liabilities		42,676	42,991
Total liabilities		16,070,343	15,179,908
Equity			
Share capital	12	2,138,400	2,138,400
Contributed surplus		27,778	27,778
Retained earnings		2,402,807	2,167,279
Accumulated other comprehensive income		3,545	5,453
Equity attributable to BDC's shareholder		4,572,530	4,338,910
Non-controlling interests		35,797	51,139
Total equity		4,608,327	4,390,049
Total liabilities and equity		20,678,670	19,569,957

Guarantees (Note 14)

Commitments (Note 15)

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2014	2013	**2014**	2013
Interest income	**271,867**	259,301	**803,289**	763,248
Interest expense	**33,634**	33,934	**101,443**	102,614
Net interest income	**238,233**	225,367	**701,846**	660,634
Net realized gains (losses) on investments	**(1,008)**	(15,394)	**(26,995)**	(8,359)
Consulting revenue	**4,075**	5,320	**12,680**	15,843
Fee and other income	**10,673**	9,824	**33,715**	31,709
Net realized gains (losses) on other financial instruments	**(6,211)**	(394)	**(5,136)**	(3,814)
Net revenue	**245,762**	224,723	**716,110**	696,013
Impairment reversals (losses) on loans	**(22,982)**	(12,558)	**(59,673)**	(60,574)
Net change in unrealized appreciation (depreciation) of investments	**(10,582)**	11,072	**25,311**	(16,283)
Net unrealized foreign exchange gains (losses) on investments	**6,877**	4,400	**9,662**	7,288
Net unrealized gains (losses) on other financial instruments	**3,081**	(2,956)	**(772)**	(1,057)
Income before operating and administrative expenses	**222,156**	224,681	**690,638**	625,387
Salaries and benefits	**71,190**	71,007	**217,159**	212,193
Premises and equipment	**11,570**	10,202	**34,340**	30,074
Other expenses	**24,201**	25,320	**65,107**	64,810
Operating and administrative expenses	**106,961**	106,529	**316,606**	307,077
Net income	**115,195**	118,152	**374,032**	318,310
Net income attributable to:				
BDC's shareholder	**115,146**	117,716	**374,919**	314,053
Non-controlling interests	**49**	436	**(887)**	4,257
Net income	**115,195**	118,152	**374,032**	318,310

The accompanying notes are an integral part of these Consolidated Financial Statements and Note 13 provides additional information on segmented net income.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2014	2013	**2014**	2013
Net income	**115,195**	118,152	**374,032**	318,310
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income				
Net change in unrealized gains (losses) on available-for-sale assets	**165**	624	**(707)**	(309)
Net unrealized gains (losses) on cash flow hedges	**(104)**	(52)	**(856)**	(1,707)
Reclassification to net income of losses (gains) on cash flow hedges	**(107)**	(247)	**(345)**	(1,015)
Net change in unrealized gains (losses) on cash flow hedges	**(211)**	(299)	**(1,201)**	(2,722)
Total items that may be reclassified subsequently to net income	**(46)**	325	**(1,908)**	(3,031)
Items that will not be reclassified to net income				
Remeasurements of net defined benefit asset or liability	**(25,578)**	73,474	**(84,778)**	161,470
Other comprehensive income (loss)	**(25,624)**	73,799	**(86,686)**	158,439
Total comprehensive income	**89,571**	191,951	**287,346**	476,749
Total comprehensive income attributable to:				
BDC's shareholder	**89,522**	191,515	**288,233**	472,492
Non-controlling interests	**49**	436	**(887)**	4,257
Total comprehensive income	**89,571**	191,951	**287,346**	476,749

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended December 31
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at September 30, 2014	**2,138,400**	**27,778**	**2,313,239**	**1,335**	**2,256**	**3,591**	**4,483,008**	**38,137**	**4,521,145**
Total comprehensive income									
Net income			115,146				115,146	49	115,195
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				165		165	165		165
Net change in unrealized gains (losses) on cash flow hedges					(211)	(211)	(211)		(211)
Remeasurements of net defined benefit asset or liability			(25,578)				(25,578)		(25,578)
Other comprehensive income (loss)	-	-	(25,578)	165	(211)	(46)	(25,624)	-	(25,624)
Total comprehensive income	-	-	89,568	165	(211)	(46)	89,522	49	89,571
Dividends on common shares			-				-		-
Distributions to non-controlling interests								(2,538)	(2,538)
Capital injections from non-controlling interests								149	149
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(2,389)	(2,389)
Balance as at December 31, 2014	**2,138,400**	**27,778**	**2,402,807**	**1,500**	**2,045**	**3,545**	**4,572,530**	**35,797**	**4,608,327**

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at September 30, 2013	2,088,400	27,778	1,972,896	984	4,228	5,212	4,094,286	59,901	4,154,187
Total comprehensive income									
Net income			117,716				117,716	436	118,152
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				624		624	624		624
Net change in unrealized gains (losses) on cash flow hedges					(299)	(299)	(299)		(299)
Remeasurements of net defined benefit asset or liability			73,474				73,474		73,474
Other comprehensive income (loss)	-	-	73,474	624	(299)	325	73,799	-	73,799
Total comprehensive income	-	-	191,190	624	(299)	325	191,515	436	191,951
Dividends on common shares			-				-		-
Distributions to non-controlling interests								(7,524)	(7,524)
Capital injections from non-controlling interests								608	608
Transactions with owner, recorded directly in equity	-	-	-	-	-	-	-	(6,916)	(6,916)
Balance as at December 31, 2013	2,088,400	27,778	2,164,086	1,608	3,929	5,537	4,285,801	53,421	4,339,222

The accompanying notes are an integral part of these Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended December 31
(unaudited)

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at March 31, 2014	**2,138,400**	**27,778**	**2,167,279**	**2,207**	**3,246**	**5,453**	**4,338,910**	**51,139**	**4,390,049**
Total comprehensive income									
Net income			374,919				374,919	(887)	374,032
Other comprehensive income (loss)									
Net change in unrealized gains (losses) on available-for-sale assets				(707)		(707)	(707)		(707)
Net change in unrealized gains (losses) on cash flow hedges					(1,201)	(1,201)	(1,201)		(1,201)
Remeasurements of net defined benefit asset or liability			(84,778)				(84,778)		(84,778)
Other comprehensive income (loss)	-	-	(84,778)	(707)	(1,201)	(1,908)	(86,686)	-	(86,686)
Total comprehensive income	-	-	290,141	(707)	(1,201)	(1,908)	288,233	(887)	287,346
Dividends on common shares			(54,613)				(54,613)		(54,613)
Distributions to non-controlling interests								(16,959)	(16,959)
Capital injections from non-controlling interests								2,504	2,504
Transactions with owner, recorded directly in equity	-	-	(54,613)	-	-	-	(54,613)	(14,455)	(69,068)
Balance as at December 31, 2014	**2,138,400**	**27,778**	**2,402,807**	**1,500**	**2,045**	**3,545**	**4,572,530**	**35,797**	**4,608,327**

(in thousands of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)			Equity attributable to BDC's shareholder	Non-controlling interests	Total equity
				Available-for-sale assets	Cash flow hedges	Total			
Balance at March 31, 2013	2,088,400	27,778	1,748,156	1,917	6,651	8,568	3,872,902	82,773	3,955,675
Total comprehensive income									
Net income			314,053				314,053	4,257	318,310
Other comprehensive income									
Net change in unrealized gains (losses) on available-for-sale assets				(309)		(309)	(309)		(309)
Net change in unrealized gains (losses) on cash flow hedges					(2,722)	(2,722)	(2,722)		(2,722)
Remeasurements of net defined benefit asset or liability			161,470				161,470		161,470
Other comprehensive income (loss)	-	-	161,470	(309)	(2,722)	(3,031)	158,439	-	158,439
Total comprehensive income	-	-	475,523	(309)	(2,722)	(3,031)	472,492	4,257	476,749
Dividends on common shares			(59,593)				(59,593)		(59,593)
Distributions to non-controlling interests								(35,905)	(35,905)
Capital injections from non-controlling interests								2,296	2,296
Transactions with owner, recorded directly in equity	-	-	(59,593)	-	-	-	(59,593)	(33,609)	(93,202)
Balance as at December 31, 2013	2,088,400	27,778	2,164,086	1,608	3,929	5,537	4,285,801	53,421	4,339,222

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

(in thousands of Canadian dollars)	Three months ended December 31		Nine months ended December 31	
	2014	2013	2014	2013
Operating activities				
Net income	115,195	118,152	374,032	318,310
Adjustments to determine net cash flows				
Interest income	(271,867)	(259,301)	(803,289)	(763,248)
Interest expense	33,634	33,934	101,443	102,614
Net realized losses (gains) on investments	1,008	15,394	26,995	8,359
Impairment losses (reversals) on loans	22,982	12,558	59,673	60,574
Net change in unrealized depreciation (appreciation) on investments	10,582	(11,072)	(25,311)	16,283
Net unrealized foreign exchange losses (gains) on investments	(6,877)	(4,400)	(9,662)	(7,288)
Net unrealized losses (gains) on other financial instruments	(3,081)	2,956	772	1,057
Defined benefits funding in excess of amounts expensed	(3,103)	(7,227)	(16,435)	(29,793)
Depreciation of property and equipment, and amortization of intangible assets	4,451	3,172	12,795	8,918
Loss (gain) on disposal of property and equipment	59	-	68	-
Other	(7,191)	(4,439)	(8,048)	(8,645)
Interest expense paid	(30,691)	(28,941)	(98,741)	(97,944)
Interest income received	263,066	253,226	787,225	757,338
Disbursements for loans	(1,192,936)	(996,111)	(3,174,617)	(3,127,017)
Repayments of loans	764,044	696,971	2,229,430	2,023,675
Changes in operating assets and liabilities				
Net change in accounts payable and accrued liabilities	9,225	6,654	(26,804)	(17,712)
Net change in other assets and other liabilities	771	(5,073)	(3,401)	(3,039)
Net cash flows provided (used) by operating activities	(290,729)	(173,547)	(573,874)	(757,558)
Investing activities				
Disbursements for asset-backed securities	(60,610)	(63,872)	(168,274)	(154,831)
Repayments and proceeds on sale of asset-backed securities	37,937	94,207	100,393	273,678
Disbursements for subordinate financing investments	(71,024)	(29,267)	(159,354)	(120,708)
Repayments of subordinate financing investments	40,675	29,392	99,649	94,742
Disbursements for venture capital investments	(42,440)	(27,700)	(130,817)	(90,040)
Proceeds on sale of venture capital investments	5,002	10,314	19,768	86,423
Disbursements for venture capital action plan investments	(23,759)	(1,601)	(32,100)	(1,601)
Acquisition of property and equipment	(1,701)	(1,546)	(2,757)	(6,149)
Proceeds from disposal of property and equipment	(467)	-	(466)	-
Acquisition of intangible assets	470	(6,858)	4	(22,905)
Net cash flows provided (used) by investing activities	(115,926)	3,069	(273,964)	58,609
Financing activities				
Net change in short-term notes	449,750	412,320	1,095,950	1,063,117
Issue of long-term notes	41,400	49,200	130,500	156,635
Repayment of long-term notes	(101,537)	(385,391)	(327,151)	(458,758)
Distributions to non-controlling interests	(2,538)	(7,524)	(16,959)	(35,905)
Capital injections from non-controlling interests	149	608	2,504	2,296
Dividends paid on common shares	-	-	(54,613)	(59,593)
Net cash flows provided (used) by financing activities	387,224	69,213	830,231	667,792
Net increase (decrease) in cash and cash equivalents	(19,431)	(101,265)	(17,607)	(31,157)
Cash and cash equivalents at beginning of period	678,353	771,786	676,529	701,678
Cash and cash equivalents at end of period	658,922	670,521	658,922	670,521

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited, in thousands of Canadian dollars)

1. BDC GENERAL DESCRIPTION

The Business Development Bank of Canada is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by an Act of Parliament that was enacted on July 13, 1995. The Business Development Bank of Canada is incorporated in Canada and wholly owned by the Government of Canada.

The objectives of the Business Development Bank of Canada and its subsidiaries (together, BDC) are to promote and assist in the establishment and development of business enterprises in Canada, with a focus on small and medium-sized enterprises, by providing a range of complementary lending and investment services, as well as consulting services. BDC offers Canadian companies services tailored to meet their current needs while earning an appropriate return on equity, which is used to further BDC's activities. BDC does not receive appropriations from the Government of Canada.

2. BASIS OF PREPARATION

BDC's condensed quarterly Consolidated Financial Statements are in compliance with the Standard on Quarterly Financial Reports for Crown Corporations, as required by the *Financial Administration* Act and issued by the Treasury Board of Canada Secretariat.

BDC's condensed quarterly Consolidated Financial Statements follow the same basis of preparation as our audited Consolidated Financial Statements for the year ended March 31, 2014. For complete information on the basis of preparation, refer to page 57 of our 2014 Annual Report.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS). The condensed quarterly Consolidated Financial Statements have also been prepared in accordance with the accounting policies BDC expects to use in its annual Consolidated Financial Statements for the year ending March 31, 2015. If BDC changes the application of these policies, it may result in a restatement of these condensed quarterly Consolidated Financial Statements.

These condensed quarterly Consolidated Financial Statements have been prepared using International Financial Reporting Standards (IFRS) and were approved for issue by the Board of Directors on February 12, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

BDC's condensed quarterly Consolidated Financial Statements follow the same accounting policies as our audited Consolidated Financial Statements for the year ended March 31, 2014. These policies have been consistently applied to all periods presented in these condensed quarterly Consolidated Financial Statements and have been applied consistently by all entities consolidated by BDC.

These condensed quarterly Consolidated Financial Statements must be read in conjunction with BDC's 2014 Annual Report and the accompanying notes, as set out on pages 57 to 110 of our 2014 Annual Report.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the quarterly Consolidated Financial Statements using IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

For information about the significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed quarterly Consolidated Financial Statements, refer to page 68 of our 2014 Annual Report.

5. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table summarizes the classification of BDC's financial instruments as at December 31, 2014, and March 31, 2014.

December 31, 2014

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						658,922		658,922
Derivative assets		41,394			1,648			43,042
Asset-backed securities	7		4,070	399,623				403,693
Loans	8					18,151,480		18,151,480
Subordinate financing investments	9		626,586					626,586
Venture capital investments	10		627,047					627,047
Venture capital action plan investments	11		34,745					34,745
Other assets[2]						11,668		11,668
Total financial assets		41,394	1,292,448	399,623	1,648	18,822,070	-	20,557,183
Financial liabilities								
Accounts payable and accrued liabilities							79,223	79,223
Derivative liabilities		7,661			28			7,689
Short-term notes							15,153,458	15,153,458
Long-term notes			330,904				244,562	575,466
Other liabilities[2]							29,674	29,674
Total financial liabilities		7,661	330,904	-	28	-	15,506,917	15,845,510

March 31, 2014

		Measured at fair value				Measured at amortized cost		
		FVTPL[1]						
	Note	Held-for-trading	Designated as FVTPL	Available-for-sale	Cash flow hedges	Loans and receivables	Financial liabilities	Total
Financial assets								
Cash and cash equivalents						676,529		676,529
Derivative assets		51,717			2,784			54,501
Asset-backed securities	7		4,750	331,727				336,477
Loans	8					17,241,064		17,241,064
Subordinate financing investments	9		576,677					576,677
Venture capital investments	10		495,096					495,096
Venture capital action plan investments	11		5,169					5,169
Other assets[2]						9,265		9,265
Total financial assets		51,717	1,081,692	331,727	2,784	17,926,858	-	19,394,778
Financial liabilities								
Accounts payable and accrued liabilities							106,027	106,027
Derivative liabilities		10,706						10,706
Short-term notes							14,056,623	14,056,623
Long-term notes			500,794				274,546	775,340
Other liabilities[2]							31,617	31,617
Total financial liabilities		10,706	500,794	-	-	-	14,468,813	14,980,313

[1] Fair value through profit or loss.

[2] Certain items within the other assets and other liabilities categories on the Consolidated Statement of Financial Position are not considered to be financial instruments.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

All financial instruments measured at fair value must be categorized into one of three hierarchy levels for disclosure purposes. Each level is based on the observability of the inputs used to measure the fair value of assets and liabilities and is defined below:

- level 1—fair values based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- level 2—fair values based on inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- level 3—fair values based on valuation techniques with one or more significant unobservable market inputs.

There were no transfers between levels 1 and 2 or between levels 2 and 3 in the reporting periods. BDC's policy is to recognize transfers between levels 1 and 3 when private investments become publicly traded or public investments become private investments during the reporting periods.

	December 31, 2014			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		43,042		43,042
Asset-backed securities		403,693		403,693
Subordinate financing investments	684		625,902	626,586
Venture capital investments	2,263		624,784	627,047
Venture capital action plan investments			34,745	34,745
	2,947	446,735	1,285,431	1,735,113
Liabilities				
Derivative liabilities		7,689		7,689
Long-term notes designated as FVTPL[1]		330,904		330,904
	-	338,593	-	338,593

[1] Fair value through profit or loss.

	March 31, 2014			
	Fair value measurements using			Total
	Level 1	Level 2	Level 3	fair value
Assets				
Derivative assets		54,501		54,501
Asset-backed securities		336,477		336,477
Subordinate financing investments	684		575,993	576,677
Venture capital investments	6,058		489,038	495,096
Venture capital action plan investments			5,169	5,169
	6,742	390,978	1,070,200	1,467,920
Liabilities				
Derivative liabilities		10,706		10,706
Long-term notes designated as FVTPL[1]		500,794		500,794
	-	511,500	-	511,500

[1] Fair value through profit or loss.

The following table presents the changes in fair value measurement for financial instruments included in level 3 of the fair value hierarchy.

	December 31, 2014			
	Subordinate financing investments	**Venture capital investments**	**Venture capital action plan investments**	**Total**
Fair value at April 1, 2014	**575,993**	**489,038**	**5,169**	**1,070,200**
Net realized gains (losses) on investments	**(19,596)**	**(6,448)**	**-**	**(26,044)**
Net change in unrealized appreciation (depreciation) of investments	**9,590**	**19,177**	**(2,524)**	**26,243**
Net unrealized foreign exchange gains (losses) on investments	**-**	**9,537**	**-**	**9,537**
Disbursements for investments	**159,354**	**130,817**	**32,100**	**322,271**
Repayments of investments and other	**(99,439)**	**(13,466)**	**-**	**(112,905)**
Transfers from level 3 to level 1	**-**	**(3,871)**	**-**	**(3,871)**
Fair value at December 31, 2014	**625,902**	**624,784**	**34,745**	**1,285,431**

	Subordinate financing investments	Venture capital investments	Venture capital action plan investments	March 31, 2014 Total
Fair value at April 1, 2013	556,031	424,047	-	980,078
Net realized gains (losses) on investments	(9,970)	(22,027)	-	(31,997)
Net change in unrealized appreciation (depreciation) of investments	(16,582)	21,762	(533)	4,647
Net unrealized foreign exchange gains (losses) on investments	-	13,454	-	13,454
Disbursements for investments	156,239	118,274	5,702	280,215
Repayments of investments and other	(109,725)	(62,718)	-	(172,443)
Transfers from level 3 to level 1	-	(3,754)	-	(3,754)
Fair value at March 31, 2014	575,993	489,038	5,169	1,070,200

7. ASSET-BACKED SECURITIES

	December 31, 2014	March 31, 2014
Available-for-sale		
Principal amount	**398,124**	329,521
Cumulative fair value appreciation (depreciation)	**1,499**	2,206
Carrying value	**399,623**	331,727
Yield	**2.12%**	2.24%
Fair value through profit or loss		
Principal amount	**4,003**	4,651
Cumulative fair value appreciation (depreciation)	**67**	99
Carrying value	**4,070**	4,750
Yield	**7.74%**	8.06%
Asset-backed securities	**403,693**	336,477

No asset-backed securities were impaired as at December 31 or March 31, 2014.

8. LOANS

The following table provides loans outstanding by contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	200,275	1,981,996	16,007,877	18,190,148	(340,000)	-	(340,000)	17,850,148
Impaired	8,282	61,298	410,001	479,581	-	(178,249)	(178,249)	301,332
Loans as at December 31, 2014	208,557	2,043,294	16,417,878	18,669,729	(340,000)	(178,249)	(518,249)	18,151,480

	Within 1 year	1 to 5 years	Over 5 years	Total gross amount	Collective allowance	Individual allowance	Total allowance	Total net amount
Performing	166,594	1,865,370	15,241,401	17,273,365	(340,000)	-	(340,000)	16,933,365
Impaired	9,226	49,330	417,393	475,949	-	(168,250)	(168,250)	307,699
Loans as at March 31, 2014	175,820	1,914,700	15,658,794	17,749,314	(340,000)	(168,250)	(508,250)	17,241,064

Allowance for credit losses

	December 31, 2014	March 31, 2014
Balance at beginning of period	**508,250**	538,338
Write-offs	**(48,006)**	(103,258)
Effect of discounting	**(9,602)**	(12,485)
Recoveries and other	**7,934**	12,774
	458,576	435,369
Impairment losses (reversals) on loans	**59,673**	72,881
Balance at end of period	**518,249**	508,250

Concentrations of total loans outstanding

Geographic distribution	December 31, 2014	March 31, 2014
Newfoundland and Labrador	**779,553**	741,843
Prince Edward Island	**50,122**	44,517
Nova Scotia	**476,127**	447,837
New Brunswick	**464,109**	486,006
Quebec	**6,188,964**	5,977,771
Ontario	**4,810,400**	4,681,243
Manitoba	**580,493**	502,059
Saskatchewan	**622,783**	532,345
Alberta	**2,540,154**	2,325,621
British Columbia	**2,033,643**	1,881,972
Yukon	**95,580**	97,598
Northwest Territories and Nunavut	**27,801**	30,502
Total loans outstanding	18,669,729	17,749,314

Industry sector	December 31, 2014	March 31, 2014
Manufacturing	**4,082,214**	4,025,056
Wholesale and retail trade	**3,784,766**	3,578,289
Tourism	**2,453,472**	2,305,724
Service industries	**2,445,582**	2,278,685
Commercial properties	**2,132,243**	2,050,634
Construction	**1,544,071**	1,478,046
Transportation and storage	**1,110,549**	1,023,372
Other	**1,116,832**	1,009,508
Total loans outstanding	**18,669,729**	17,749,314

9. SUBORDINATE FINANCING INVESTMENTS

BDC maintains a medium- to high-risk portfolio of subordinate financing investments. The following table summarizes outstanding subordinate financing investments by their contractual maturity date.

	Within 1 year	1 to 5 years	Over 5 years	Total cost	Total fair value
As at December 31, 2014	95,512	453,718	92,448	641,678	626,586
As at March 31, 2014	77,268	442,633	81,477	601,378	576,677

Concentrations of total subordinate financing investments

Geographic distribution	December 31, 2014 Fair value	December 31, 2014 Cost	March 31, 2014 Fair value	March 31, 2014 Cost
Newfoundland and Labrador	**7,929**	**6,809**	8,033	6,697
Nova Scotia	**17,928**	**18,185**	13,297	14,636
New Brunswick	**16,046**	**14,870**	11,756	11,806
Quebec	**252,280**	**268,677**	249,660	271,927
Ontario	**197,580**	**195,863**	182,588	186,901
Manitoba	**10,169**	**8,288**	8,050	6,062
Saskatchewan	**4,844**	**3,473**	5,108	3,659
Alberta	**88,977**	**94,051**	72,071	73,103
British Columbia	**27,100**	**27,462**	22,173	22,417
Yukon	**2,522**	**2,745**	2,715	2,915
Northwest Territories and Nunavut	**1,211**	**1,255**	1,226	1,255
Subordinate financing investments	**626,586**	**641,678**	576,677	601,378

	December 31, 2014		March 31, 2014	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Manufacturing	**216,782**	**217,108**	204,022	205,280
Business services	**127,820**	**136,821**	114,686	129,493
Wholesale and retail trade	**105,354**	**105,753**	97,007	99,523
Mining, and oil and gas extraction	**48,848**	**49,724**	34,524	35,346
Construction	**45,701**	**47,086**	44,004	46,798
Information industries	**22,498**	**23,954**	21,079	22,552
Tourism	**11,399**	**10,684**	12,808	11,882
Transportation and storage	**10,773**	**11,260**	9,426	10,138
Educational services	**5,132**	**5,092**	7,130	7,674
Real estate, and rental and leasing	**2,567**	**2,598**	8,918	8,539
Other	**29,712**	**31,598**	23,073	24,153
Subordinate financing investments	626,586	641,678	576,677	601,378

10. VENTURE CAPITAL INVESTMENTS

BDC maintains a high-risk portfolio of venture capital investments that is focused on early-stage and fast-growing technology companies having promising positions in their respective marketplaces and strong growth potential. The concentrations and investment types of venture capital investments are listed below.

	December 31, 2014		March 31, 2014	
Industry sector	**Fair value**	**Cost**	Fair value	Cost
Information technology	**153,139**	**146,207**	106,228	114,000
Electronics	**83,018**	**85,865**	77,976	78,241
Biotechnology and pharmacology	**58,790**	**67,443**	53,383	62,834
Medical and health	**35,565**	**44,531**	33,765	42,485
Communications	**26,073**	**28,710**	25,872	24,282
Energy	**16,356**	**20,635**	8,259	16,065
Industrial	**12,373**	**17,848**	9,690	14,042
Other	**2,788**	**2,112**	500	500
Total direct investments	**388,102**	**413,351**	315,673	352,449
Funds	**238,945**	**225,283**	179,423	182,173
Venture capital investments	627,047	638,634	495,096	534,622

	December 31, 2014		March 31, 2014	
Investment type	**Fair value**	**Cost**	Fair value	Cost
Common shares	**36,999**	**71,863**	29,340	68,745
Preferred shares	**308,493**	**295,235**	248,090	243,132
Debentures	**42,610**	**46,253**	38,243	40,572
Total direct investments	**388,102**	**413,351**	315,673	352,449
Funds	**238,945**	**225,283**	179,423	182,173
Venture capital investments	627,047	638,634	495,096	534,622

11. VENTURE CAPITAL ACTION PLAN INVESTMENTS

Venture Capital Action Plan invests primarily in early-stage and mid-stage venture capital funds, and directly in companies across Canada. Venture Capital Action Plan supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

At December 31, 2014, the fair value of venture capital action plan investments stood at $34,745 ($5,169 at March 31, 2014), and their cost was $37,081 ($5,702 at March 31, 2014).

12. SHARE CAPITAL

An unlimited number of common shares, having a par value of $100 each, is authorized. As at December 31 and March 31, 2014, there were 21,384,000 common shares outstanding.

Statutory limitations

As per the BDC Act, the debt-to-equity ratio cannot exceed 12:1. In addition, the paid-in capital, the contributed surplus and any proceeds that have been prescribed as equity (such as hybrid capital instruments) must not exceed $3.0 billion. As at December 31, 2014, and March 31, 2014, BDC met both of these statutory limitation requirements.

Capital adequacy

Treasury Board of Canada Secretariat provides guidelines to BDC on its capital adequacy ratios. BDC must maintain overall capital and allowance for credit losses sufficient to ensure that BDC can withstand unfavourable economic circumstances without requiring additional government funding. During the nine-month period ended December 31, 2014, and for the fiscal year ended March 31, 2014, BDC complied with its capital adequacy guidelines.

13. SEGMENTED INFORMATION

BDC has six reportable segments, as described below, which are the Bank's business lines. Each business line offers different products and services, and is managed separately based on BDC's management and internal reporting structure.

The following summary describes the operations of each of the Bank's reportable segments.

- **Financing** provides secured, partially secured and unsecured loans with a focus on small and medium-sized enterprises across Canada.
- **Growth & Transition Capital** provides flexible debt with or without convertible features and equity-type financing.
- **Venture Capital** provides investments to cover every stage of a technology-based company's development cycle, from seed funding to expansion. BDC also makes indirect investments via venture capital investment funds.
- **Consulting** provides consulting services, group programs and other services related to business activities.
- **Securitization** purchases investments in asset-backed securities through the Funding Platform for Independent Lenders (F-PIL, formerly known as the Multi-Seller Platform for Small Originators) and until October 2013 managed the Canadian Secured Credit Facility investment portfolio. These securities are backed by vehicle and equipment loans and leases, as well as dealer floor plan loans.
- **Venture Capital Action Plan** supports the creation of large private sector-led funds of funds and also assists existing high-performing funds in partnership with institutional investors, corporate strategic investors and interested provinces.

The assumptions and methodologies used in BDC's reporting framework are periodically reviewed by management to ensure they remain valid. BDC's main allocation methods are described below.

Interest expense is allocated to each operating segment based on its business portfolio and the capital attributed to the segment. The attribution of capital to BDC's business segments is maintained in accordance with the capital adequacy ratios provided by the Treasury Board of Canada Secretariat and is consistently aligned with the economic risks of each specific business segment.

Operating and administrative expenses include costs incurred directly by the business segments. Indirect costs incurred at the enterprise level are attributed to each segment using management's internal reporting framework.

Loan and investment portfolios are managed separately based on BDC's business segments. None of the other assets or liabilities are managed by segment.

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(unaudited, in thousands of Canadian dollars)

The following tables present financial information regarding the results of each reportable segment.

	Three months ended December 31, 2014						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	271,987	254,676	15,058	-	-	2,133	-
Interest expense	33,634	31,128	1,887	-	-	619	-
Net interest income	**238,233**	**223,548**	**13,171**	**-**	**-**	**1,514**	**-**
Net realized gains (losses) on investments	(1,008)	-	164	(1,172)	-	-	-
Consulting revenue	4,075	-	-	-	4,075	-	-
Fee and other income	10,673	4,177	5,929	501	-	-	66
Net realized gains (losses) on other financial instruments	(6,211)	332	-	(6,543)	-	-	-
Net revenue (loss)	**245,762**	**228,057**	**19,264**	**(7,214)**	**4,075**	**1,514**	**66**
Impairment reversals (losses) on loans	(22,982)	(22,982)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(10,582)	-	511	(11,525)	-	(16)	448
Net unrealized foreign exchange gains (losses) on investments	6,877	-	-	6,877	-	-	-
Net unrealized gains (losses) on other financial instruments	3,081	(1,211)	-	4,292	-	-	-
Income (loss) before operating and administrative expenses	**222,156**	**203,864**	**19,775**	**(7,570)**	**4,075**	**1,498**	**514**
Salaries and benefits	71,190	56,583	4,219	3,672	6,147	392	177
Premises and equipment	11,570	10,225	358	408	546	18	15
Other expenses	24,201	18,315	756	1,329	3,668	72	61
Operating and administrative expenses	**106,961**	**85,123**	**5,333**	**5,409**	**10,361**	**482**	**253**
Net income (loss)	**115,195**	**118,741**	**14,442**	**(12,979)**	**(6,286)**	**1,016**	**261**
Net income (loss) attributable to:							
BDC's shareholder	115,146	118,741	13,998	(12,584)	(6,286)	1,016	261
Non-controlling interests	49	-	444	(395)	-	-	-
Net income (loss)	**115,195**	**118,741**	**14,442**	**(12,979)**	**(6,286)**	**1,016**	**261**
Business segment portfolio at end of period	**19,843,551**	**18,149,854**	**626,586**	**627,047**	**-**	**405,319[1]**	**34,745**

[1] Securitization portfolio at the end of the period includes $1,626 in loans and $403,693 in asset-backed securities.

	Three months ended December 31, 2013						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	259,301	242,193	14,701	-	-	2,407	-
Interest expense	33,934	31,123	2,012	-	-	799	-
Net interest income	**225,367**	**211,070**	**12,689**	**-**	**-**	**1,608**	**-**
Net realized gains (losses) on investments	(15,394)	-	(6,277)	(9,117)	-	-	-
Consulting revenue	5,320	-	-	-	5,320	-	-
Fee and other income	9,824	3,465	4,406	1,942	-	11	-
Net realized gains (losses) on other financial instruments	(394)	246	-	(640)	-	-	-
Net revenue (loss)	**224,723**	**214,781**	**10,818**	**(7,815)**	**5,320**	**1,619**	**-**
Impairment reversals (losses) on loans	(12,558)	(12,558)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	11,072	-	2,955	8,108	-	9	-
Net unrealized foreign exchange gains (losses) on investments	4,400	-	-	4,400	-	-	-
Net unrealized gains (losses) on other financial instruments	(2,956)	(388)	-	(2,568)	-	-	-
Income (loss) before operating and administrative expenses	**224,681**	**201,835**	**13,773**	**2,125**	**5,320**	**1,628**	**-**
Salaries and benefits	71,007	55,838	6,002	3,595	5,095	311	166
Premises and equipment	10,202	9,003	311	395	475	18	-
Other expenses	25,320	20,042	595	1,095	3,500	37	51
Operating and administrative expenses	**106,529**	**84,883**	**6,908**	**5,085**	**9,070**	**366**	**217**
Net income (loss)	**118,152**	**116,952**	**6,865**	**(2,960)**	**(3,750)**	**1,262**	**(217)**
Net income (loss) attributable to:							
BDC's shareholder	117,716	116,952	6,408	(2,939)	(3,750)	1,262	(217)
Non-controlling interests	436	-	457	(21)	-	-	-
Net income (loss)	**118,152**	**116,952**	**6,865**	**(2,960)**	**(3,750)**	**1,262**	**(217)**
Business segment portfolio at end of period	**18,275,328**	**16,927,387**	**559,884**	**468,189**	**-**	**318,267**	**1,601**

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	Nine months ended December 31, 2014						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	803,289	752,597	44,537	-	-	6,155	-
Interest expense	101,443	94,072	5,669	-	-	1,702	-
Net interest income	**701,846**	**658,525**	**38,868**	**-**	**-**	**4,453**	**-**
Net realized gains (losses) on investments	(26,995)	-	(19,596)	(7,399)	-	-	-
Consulting revenue	12,680	-	-	-	12,680	-	-
Fee and other income	33,715	11,913	20,067	1,470	-	3	262
Net realized gains (losses) on other financial instruments	(5,136)	572	-	(5,708)	-	-	-
Net revenue (loss)	**716,110**	**671,010**	**39,339**	**(11,637)**	**12,680**	**4,456**	**262**
Impairment reversals (losses) on loans	(59,673)	(59,673)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	25,311	-	9,590	18,277	-	(32)	(2,524)
Net unrealized foreign exchange gains (losses) on investments	9,662	-	-	9,662	-	-	-
Net unrealized gains (losses) on other financial instruments	(772)	(2,540)	-	1,768	-	-	-
Income (loss) before operating and administrative expenses	**690,638**	**608,797**	**48,929**	**18,070**	**12,680**	**4,424**	**(2,262)**
Salaries and benefits	217,159	171,126	14,864	11,108	18,405	1,144	512
Premises and equipment	34,340	30,289	1,072	1,234	1,642	56	47
Other expenses	65,107	48,996	2,262	3,433	10,096	188	132
Operating and administrative expenses	**316,606**	**250,411**	**18,198**	**15,775**	**30,143**	**1,388**	**691**
Net income (loss)	**374,032**	**358,386**	**30,731**	**2,295**	**(17,463)**	**3,036**	**(2,953)**
Net income (loss) attributable to:							
BDC's shareholder	374,919	358,386	29,566	4,347	(17,463)	3,036	(2,953)
Non-controlling interests	(887)	-	1,165	(2,052)	-	-	-
Net income (loss)	**374,032**	**358,386**	**30,731**	**2,295**	**(17,463)**	**3,036**	**(2,953)**
Business segment portfolio at end of period	**19,843,551**	**18,149,854**	**626,586**	**627,047**	**-**	**405,319[1]**	**34,745**

[1] Securitization portfolio at the end of the period includes $1,626 in loans and $403,693 in asset-backed securities.

	Nine months ended December 31, 2013						
	BDC	Financing	Growth & Transition Capital	Venture Capital	Consulting	Securitization	Venture Capital Action Plan
Interest income	763,248	711,923	43,992	-	-	7,333	-
Interest expense	102,614	95,199	6,019	-	-	1,396	-
Net interest income	**660,634**	**616,724**	**37,973**	**-**	**-**	**5,937**	**-**
Net realized gains (losses) on investments	(8,359)	-	(490)	(7,869)	-	-	-
Consulting revenue	15,843	-	-	-	15,843	-	-
Fee and other income	31,709	10,870	17,082	3,635	-	122	-
Net realized gains (losses) on other financial instruments	(3,814)	1,015	-	(4,829)	-	-	-
Net revenue (loss)	**696,013**	**628,609**	**54,565**	**(9,063)**	**15,843**	**6,059**	**-**
Impairment reversals (losses) on loans	(60,574)	(60,574)	-	-	-	-	-
Net change in unrealized appreciation (depreciation) of investments	(16,283)	-	(23,096)	6,757	-	56	-
Net unrealized foreign exchange gains (losses) on investments	7,288	-	-	7,288	-	-	-
Net unrealized gains (losses) on other financial instruments	(1,057)	(894)	-	(163)	-	-	-
Income (loss) before operating and administrative expenses	**625,387**	**567,141**	**31,469**	**4,819**	**15,843**	**6,115**	**-**
Salaries and benefits	212,193	168,315	15,760	10,639	15,958	923	598
Premises and equipment	30,074	26,479	935	1,185	1,419	56	-
Other expenses	64,810	49,160	1,836	3,472	10,021	121	200
Operating and administrative expenses	**307,077**	**243,954**	**18,531**	**15,296**	**27,398**	**1,100**	**798**
Net income (loss)	**318,310**	**323,187**	**12,938**	**(10,477)**	**(11,555)**	**5,015**	**(798)**
Net income (loss) attributable to:							
BDC's shareholder	314,053	323,187	8,417	(10,213)	(11,555)	5,015	(798)
Non-controlling interests	4,257	-	4,521	(264)	-	-	-
Net income (loss)	**318,310**	**323,187**	**12,938**	**(10,477)**	**(11,555)**	**5,015**	**(798)**
Business segment portfolio at end of period	**18,275,328**	**16,927,387**	**559,884**	**468,189**	**-**	**318,267**	**1,601**

14. GUARANTEES

BDC issues "letters of credit and loan guarantees" (guarantees) to support businesses. Those guarantees represent BDC's obligation to make payments to third parties if clients are unable to meet their contractual commitments. The maximum amount payable under the guarantees totalled $29.6 million as at December 31, 2014 ($27.6 million at March 31, 2014).

15. COMMITMENTS

Loans

The undisbursed amount of authorized loans was $2,273,454 at December 31, 2014 ($319,380 fixed rate; $1,954,074 floating rate) and is expected to be disbursed within the next 12 months. The weighted average effective interest rate was 4.73% on loan commitments (4.78% at March 31, 2014). The following tables present undisbursed amounts of authorized loans, by location and industry.

Commitments, by geographic distribution	December 31, 2014	March 31, 2014
Newfoundland and Labrador	**91,855**	64,956
Prince Edward Island	**1,495**	4,448
Nova Scotia	**45,347**	60,085
New Brunswick	**38,758**	19,685
Quebec	**571,057**	547,558
Ontario	**645,925**	500,665
Manitoba	**69,505**	56,729
Saskatchewan	**85,393**	96,904
Alberta	**562,172**	352,070
British Columbia	**159,987**	191,288
Yukon, Northwest Territories and Nunavut	**1,960**	2,234
Total	**2,273,454**	1,896,622

Commitments, by industry sector	December 31, 2014	March 31, 2014
Manufacturing	**514,759**	404,133
Tourism	**325,582**	263,457
Construction	**323,706**	247,274
Wholesale and retail trade	**278,121**	259,707
Service industries	**215,053**	228,533
Commercial properties	**138,025**	130,645
Transportation and storage	**109,958**	121,206
Other	**368,250**	241,667
Total	**2,273,454**	1,896,622

Subordinate financing

The undisbursed amount of authorized investments was $80,630 at December 31, 2014 ($41,425 fixed rate; $39,205 floating rate) and is expected to be disbursed within the next 12 months. The weighted average effective interest rate (excluding non-interest returns) was 9.87% on investment commitments (8.83% at March 31, 2014). The following tables present undisbursed amounts of authorized investments, by location and industry.

Commitments, by geographic distribution	December 31, 2014	March 31, 2014
Newfoundland and Labrador	255	-
Nova Scotia	-	3,554
New Brunswick	8,250	1,750
Quebec	23,450	13,600
Ontario	35,395	24,442
Manitoba	1,000	-
Saskatchewan	4,625	625
Alberta	3,500	6,100
British Columbia	4,155	3,650
Total	80,630	53,721

Commitments, by industry sector	December 31, 2014	March 31, 2014
Wholesale and retail trade	25,375	11,859
Business services	18,036	10,549
Manufacturing	17,862	22,408
Mining, and oil and gas extraction	6,500	2,500
Construction	3,950	1,100
Information industries	1,407	695
Transportation and storage	1,050	300
Real estate, and rental and leasing	550	-
Tourism	400	800
Other	5,500	3,510
Total	80,630	53,721

Venture capital

The undisbursed amount of authorized venture capital investments was $322,963 at December 31, 2014, and was related to the following industry sectors.

Industry sector	December 31, 2014	March 31, 2014
Medical and health	8,000	-
Biotechnology and pharmacology	4,753	7,112
Information technology	2,720	9,238
Communications	150	-
Electronics	76	639
Energy	10	320
Industrial	-	583
Total direct investments	15,709	17,892
External funds	307,254	309,367
Venture capital investments	322,963	327,259

Venture capital action plan

The undisbursed amount of authorized venture capital action plan investments was $287,037 at December 31, 2014 ($204,298 at March 31, 2014).

Asset-backed securities

The undisbursed amount of authorized asset-backed securities was $178,000 at December 31, 2014 ($196,000 at March 31, 2014).

Leases

BDC has future minimum lease commitments under operating leases related to the rental of premises.

16. RELATED PARTY TRANSACTIONS

As at December 31, 2014, BDC had $15,148.0 million outstanding in short-term notes and $244.0 million outstanding in long-term notes (excluding accrued interest) with Her Majesty the Queen in Right of Canada acting through the Minister of Finance ($14,046.0 million in short-term notes and $273.8 million in long-term notes at March 31, 2014).

Accrued interest on borrowings included $6.0 million payable to the Minister of Finance as at December 31, 2014 ($5.3 million at March 31, 2014).

BDC recorded $34.0 million in interest expense, related to the borrowings from the Minister of Finance, for the third quarter and $100.8 million for the nine months ended December 31, 2014. Last year's comparative figures for the same periods were $32.6 million and $99.5 million, respectively.

In addition, certain borrowings with the Minister of Finance were repurchased in the first nine months of fiscal 2015. This resulted in a net realized loss of $0.5 million for the first nine-month period (no borrowings were repurchased during the same period last year).

BDC is also related to all Government of Canada-created departments, agencies and Crown corporations. BDC enters into transactions with these entities in the normal course of business, under terms and conditions similar to those that apply to unrelated parties.

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